ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM: [redacted]
Office of Congressional Affairs

EXTENSION

NO.

DATE 4 February 1986

STAT

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. D/Pers [redacted]				Senator Trible introduced this Resolution on 29 January. It would delete the section of HR 3838 that would subject retirees to immediate taxation of retirement benefits. As a resolution it expresses the sense of the Senate but has no force of law and it is not a bill.
2.				
3. OP/EB&S [redacted]			[initials]	
4. [redacted]				[redacted]
5. DD/EBS	06 FEB 1986		[initials]	
6.				
7. Joe (For use in your				
8. field msg on tax reform)				
9. Ann				
10. (Pls retain with appropriate bill)				
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FORM 1-79 610 USE PREVIOUS EDITIONS

GPO : 1983 O - 411-632

file: Tax Reform

I urge my colleagues to join us in cosponsoring this resolution so that it will serve as a guidepost as we begin consideration of the tax bill.

SENATE RESOLUTION 304—RELATING TO TAXATION OF RETIREMENT BENEFITS

Mr. TRIBLE (for himself, Mr. STEVENS, Mr. MATHIAS, Mr. EAGLETON, Mr. HOLLINGS, and Mr. SARBANES) submitted the following resolution; which was referred to the Committee on Finance:

S. RES. 304

Whereas retention and recruitment of qualified personnel is essential to the efficient operation of Federal, State, and local governments in meeting the vital needs of United States citizens as well as national and international obligations;

Whereas retention of qualified government personnel, such as scientists, engineers, technicians, senior managers, physicians, and educators is now threatened by a provision of the Tax Reform Act of 1985 (H.R. 3838);

Whereas any disproportionate burden placed upon public sector employees through a tax reform measure is an inequity which will create a powerful incentive for retirement and which will precipitate large-scale loss of government employees currently filling key positions;

Whereas this massive exodus from government service could result in unanticipated government expenses due to additional retirement benefits payments, compounded by continued payment of salaries for those vacant positions which are filled, thereby offsetting a large part of the tax revenues predicted to be received from repealing the 3-year basis recovery rule; and

Whereas the Senate intends and has stated its intention, in S. Res. 281, to "prepare legislation which will maximize fairness and long-term economic growth and minimize short-term economic disruption": Now, therefore, be it

Resolved, That it is the sense of the Senate that section 1122(c)(1) of H.R. 3838 repealing section 72(d) of the Internal Revenue Code of 1954 pertaining to the 3-year basis recovery rule on taxation of retirement annuities will be deleted from the tax reform legislation now pending before the Senate Finance Committee, and that the present 3-year basis recovery rules will be maintained.

Mr. TRIBLE. Mr. President, as the Senate begins deliberations on the House-passed tax reform bill, I urge my colleagues to join with me to ensure that the Senate version of the tax bill does not contain an ill-conceived provision included in the House bill which eliminates the 3-year basis recovery rule for contributory defined benefit pension plans. To that end I am submitting a resolution which expresses the Senate's opposition to this proposal:

Approximately 19 million Americans—primarily Federal, State, and local employees—contribute to their retirement plans. These employees pay taxes on the moneys which they put into their annuity fund. Under current law, when the employee retires and begins to receive an annuity, these payments are not taxed until that individual has received an amount equal to his own contributions to the retirement fund.

The House tax reform bill proposed a drastic change in this established rule. Section 1122(c) of H.R. 3838 would eliminate the current procedures and subject retirees to immediate taxation of retirement benefits. This provision would have disastrous effects on those 19 million Americans now contributing to their retirement plans. And, this provision would have equally unproductive effects on the administration of Government at all levels, the service provided by Government, and the cost of Government.

The financial losses imposed upon employees would be severe and this onerous burden would compound year after year after year. The House provision seriously jeopardizes retirement income security for Federal employees and postal workers, for State and local employees, for teachers and firemen and policemen, for every American in public or private employment who pays into his retirement fund.

Although the House provision has not been enacted, its effects are already being felt. Across the Nation employees who are eligible to retire are beginning to leave their jobs or are making plans to do so in order to avoid the financial hardships which would be imposed upon them should Congress enact this tax penalty.

In the Federal Government, 210,000 employees are currently eligible to retire. An estimated 75 to 90 percent of those eligible to retire will do so prior to the effective date of the tax reform provisions.

Who are these employees eligible to retire? Fifty percent of the senior executive service, the highest level of employees in Government service, are eligible to retire. Over 40 percent of NASA's scientists and engineers are now eligible to retire. The Federal Government already has a severe recruitment and retention problem for these positions and others, such as nurses, physicians, air traffic controllers, and technicians. We cannot afford to lose these skilled and experienced personnel to early retirement.

Moreover Mr. President, the costs associated with the premature retirements of Federal employees could easily surpass any revenue gained by a change in the tax law. It is estimated that the House tax provision would raise $6.3 to $8.3 billion over 5 years, or on average, $1.26 to $1.68 billion per year. However, current Government obligations are $2.5 billion in annual annuities for Federal employees eligible to retire. If the majority of retirement eligible Federal workers choose early retirement as they have indicated, the costs of providing them with annuities would cancel our revenues expected by the proposed tax change.

I urge my colleagues to take note that the $2.5 billion figure represents only those costs associated with retirements of Federal workers. Federal workers number only 2.7 of the 19 million affected by the House provisions. The $2.5 billion figure does not include costs which would be imposed on State and local governments and private employers affected by the tax change.

Mr. President, the deleterious effects of section 1122(c) of H.R. 3838 are already being felt. We are already seeing the beginning of a crisis in government at all levels. Section 1122(c) must be omitted from the Senate bill and the Senate must provide an immediate signal of its intent to do so. We must assist employers to retain personnel now making retirement plans who may be unduly influenced by the proposed tax penalty. We must allay the well-founded fears of employees.

The resolution I am submitting today will provide the much needed signal for the 19 million Americans affected by the proposed tax change. The resolution expresses the Senate's opposition to section 1122(c) of the House tax bill and its intent to omit those provisions from the Senate version of the tax reform plan.

I urge every Senator to join me by cosponsoring this resolution. We must avert the crisis now in the making.

SENATE RESOLUTION 305—REGARDING THE PRINTING OF THE ANNUAL REPORT FROM THE SPECIAL COMMITTEE ON AGING

Mr. HEINZ (for himself and Mr. GLENN) submitted the following resolution; which was referred to the Committee on Rules and Administration:

S. RES. 305

Resolved, That there shall be printed for the use of the Special Committee on Aging the maximum number of copies of volume 1 of its annual report to the Senate, entitled "Developments in Aging: 1985," which may be printed at a cost not to exceed $1,200.

AMENDMENTS SUBMITTED

CONSOLIDATED RAIL CORPORATION SALE

METZENBAUM AMENDMENT NOS. 1441 THROUGH 1554

(Ordered to lie on the table.)

Mr. METZENBAUM submitted 114 amendments intended to be proposed by him to the bill (S. 638) to amend the Regional Rail Reorganization Act of 1973 to provide for the transfer of ownership of the Consolidated Rail Corporation to the private sector, and for other purchases; as follows:

AMENDMENT No. 1441

In lieu of the language proposed to be inserted, insert the following:

That this Act may be cited as the "Conrail Sale Amendments Act of 1985".

FINDINGS

SEC. 2. The Congress finds that—